

Unemployment Updates for 2011

John L. Finan

Executive Director

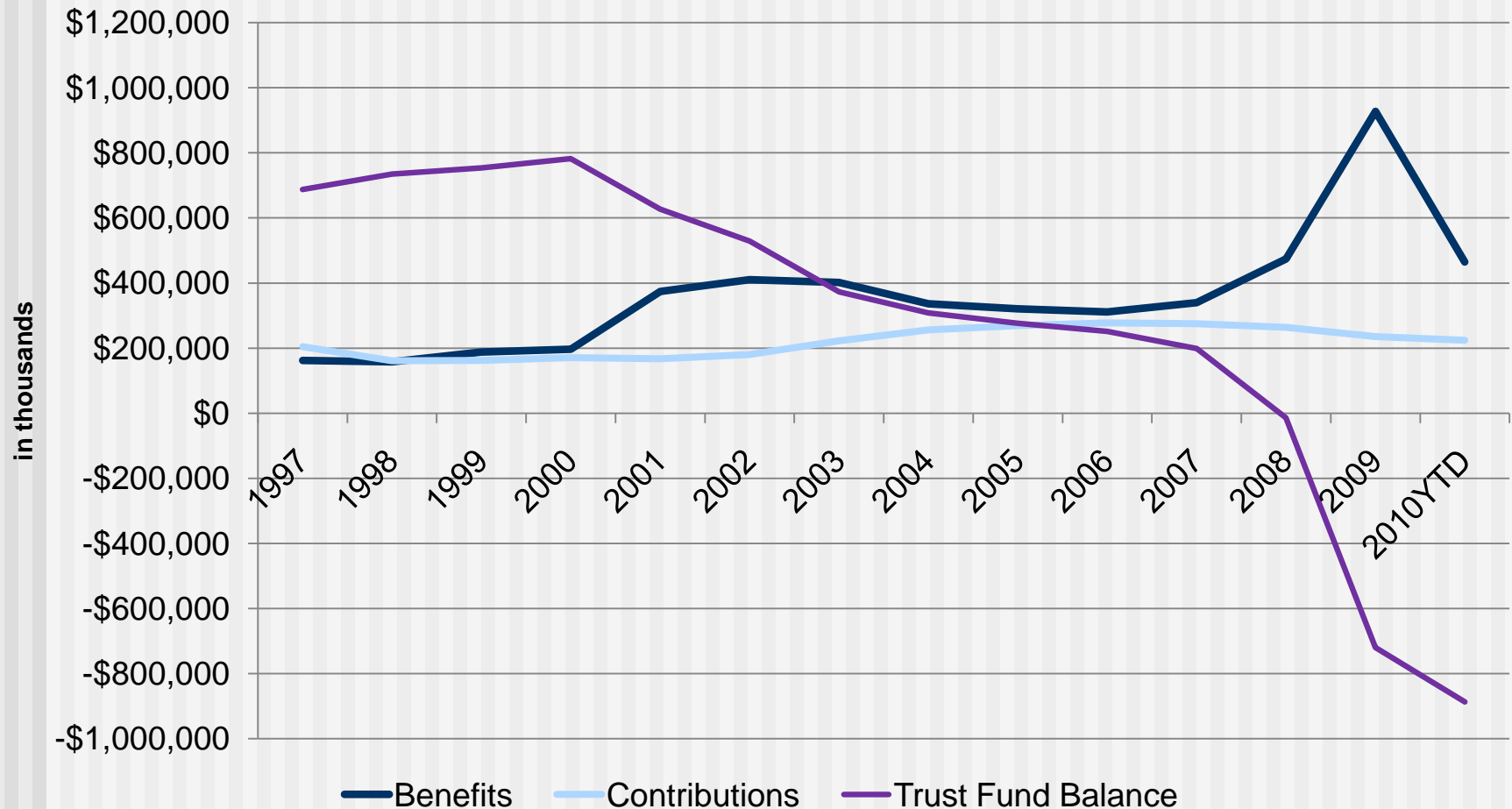
Erica M. Von Nessen, Ph.D.

Deputy Director Unemployment

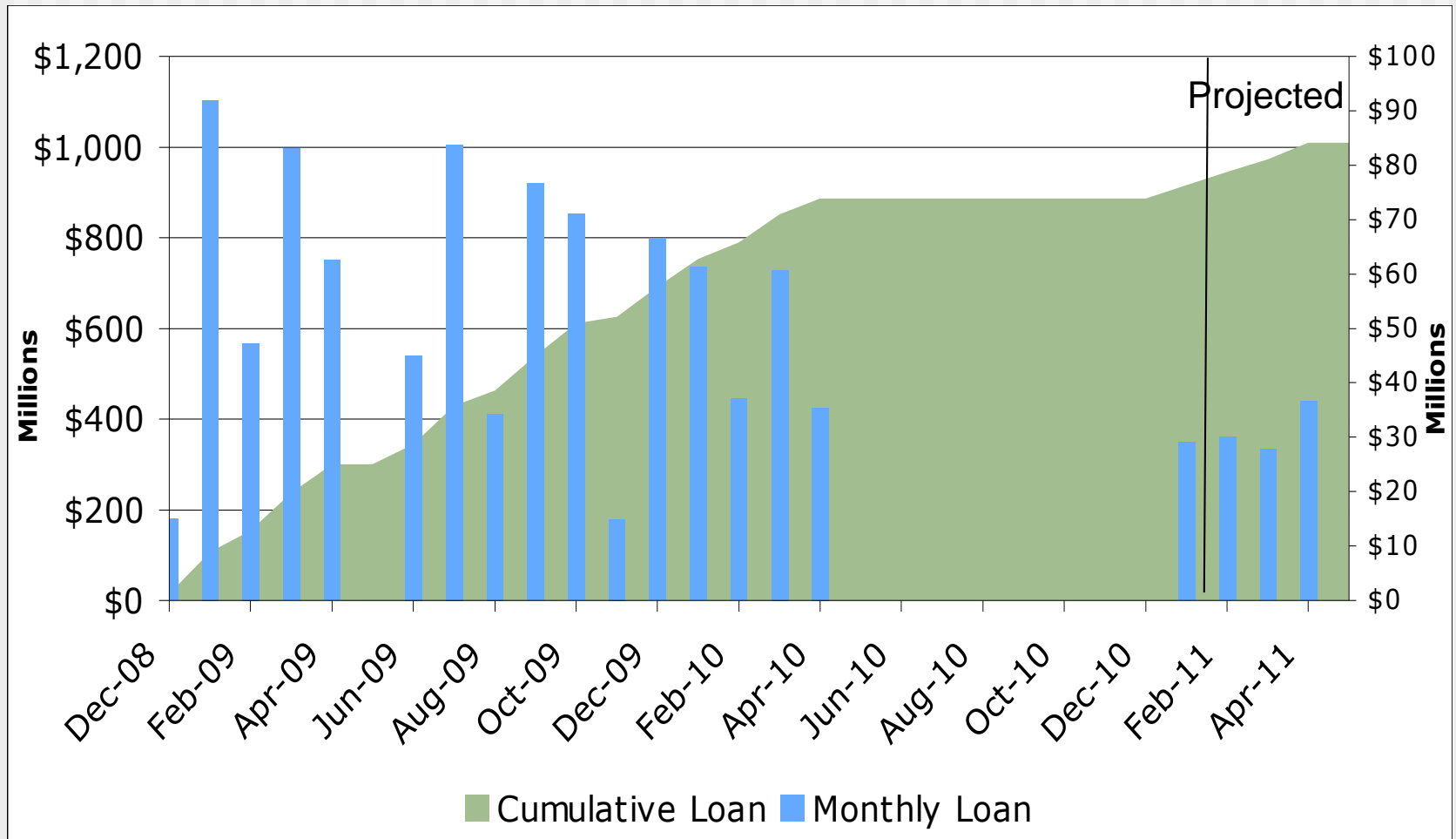
Department of Employment and Workforce

March 2011

Where We've Been...



Where We Are...



Tax Reforms

- Necessary to address outstanding federal loans; FUTA credit being reduced
- More fairly distributes costs based on UI Trust Fund utilization
- Puts trust fund on path to solvency quicker
 - Loans repaid projected 2015
 - Healthy balance projected 2020
 - Results in lower interest payments to Feds

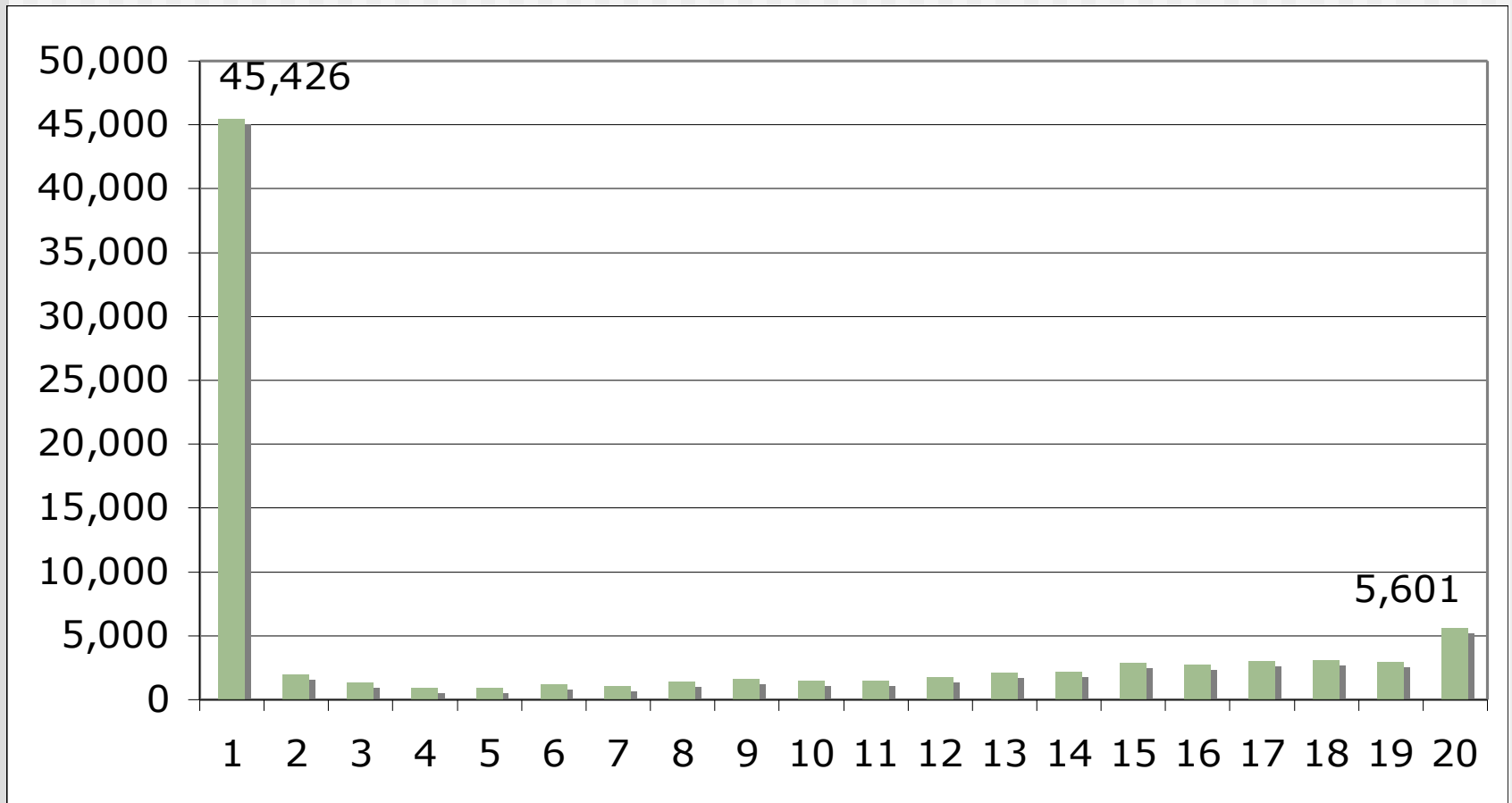
Tax Change Details

- Taxable wage base increase
 - \$10,000 in 2011
 - \$12,000 in 2012
 - \$14,000 in 2015
- Experience Rating --> Benefit Ratio
- Flexible tax rates based on an array system--20 rate classes

2011 Official Tax Rates

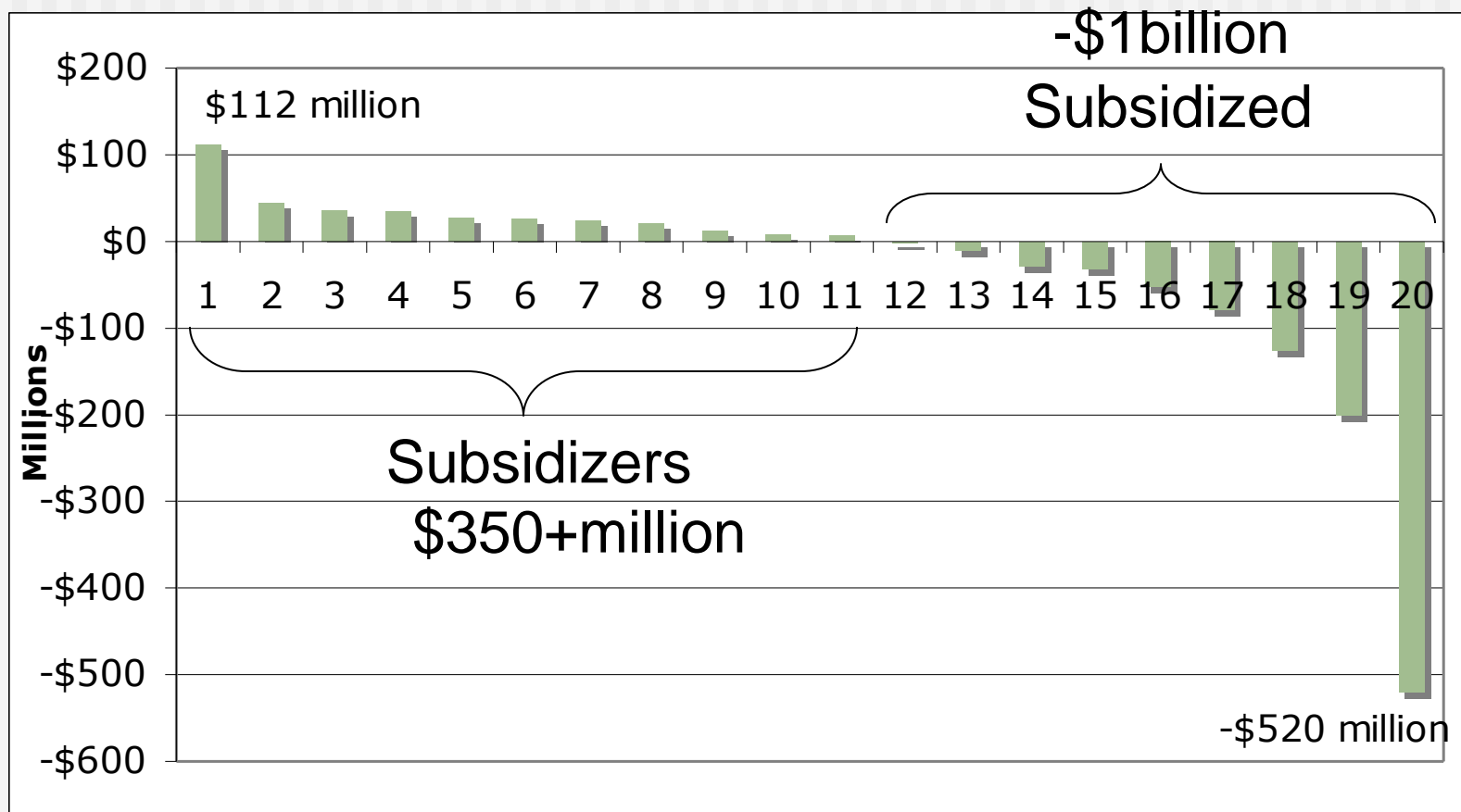
Rate Class	Base Rate	Interest and Contingency	Total Effective Rate
1	0.00%	0.103%	0.103%
2	0.93%	0.108%	1.038%
3	1.03%	0.113%	1.143%
4	1.15%	0.119%	1.269%
5	1.28%	0.126%	1.406%
6	1.42%	0.133%	1.553%
7	1.58%	0.141%	1.721%
8	1.75%	0.150%	1.900%
9	1.95%	0.160%	2.110%
10	2.16%	0.161%	2.331%
11	2.40%	0.183%	2.583%
12	2.67%	0.197%	2.867%
13	5.11%	0.323%	5.433%
14	5.67%	0.352%	6.022%
15	6.30%	0.384%	6.684%
16	7.00%	0.420%	7.420%
17	7.78%	0.460%	8.240%
18	8.65%	0.505%	9.155%
19	9.61%	0.554%	10.164%
20	10.67%	0.609%	11.279%

Employer Distribution 2011



Rate class 1 represents about 10.5% of taxable wages.

History of Use (2003-2010)



12 firms in class 20 alone accounted for \$87 million deficit.

How were these determined?

- Add:
 - Benefits projected 2011 = \$500 million
 - Loan repayment 2011 = \$146 million
- Divide by taxable wages projected 2011 = \$17.2 billion
- Distribute average tax rate across 20 categories as provided for in law (see handout example for full algebra).

How were these determined?

- Divide interest payment by taxable wage projection.
- Distribute average interest surcharge as defined in law among 20 classes.
- Add base rate, interest surcharge, and 0.06% contingency assessment.

How do these compare to 2010?

- Many employers will see a higher tax cost in 2011.
- Some businesses with no layoffs in the previous 7 years will see a decrease in cost.
- Tax rates for all businesses are projected to fall in 2012 due to economic recovery.

Do Nothing?

- Would continue to borrow to pay benefits through at least 2018
 - Total loan of over \$2.7 billion by 2018
- Federal Unemployment Taxes would increase to repay loan
 - Imposes greater burden of repayment on employers using system least.
- Doesn't address interest payments
- Doesn't rebuild trust fund to adequate level

How can employers keep costs down?

- Report, report, report!
 - Let the agency know if the individual:
 - Was fired for cause
 - Voluntarily quit
 - Refused to accept a suitable work offer
 - Is reemployed
 - Is receiving other income--under the table payments, pensions, etc.
 - Appeal if you believe a determination is inaccurate.

Help DEW become more Efficient

- Now file wage and contribution reports online through SCBOS.
- March 13, 2011 file job-attached claims through SCBOS.
- April/May 2011 respond to requests for separation information through SCBOS.
- Now make tax payments electronically-- credit card option coming soon!